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OGC/GHEK:cat
17 November 1953

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MEMORANDUM FOR: CHIEF, INSPECTION AND REVIEW

SUBJECT : Report of Survey Committee on Commercial Proprietary
Projects and Preliminary Recommendations

1. At your suggestion the undersigned have met with the Chiefs of the seven area divisions or their representatives to discuss line division reaction to the following question posed in your memorandum dated 26 October 1953:

"To what extent would your division be willing to delegate to the Commercial Division the responsibility, and necessary concomitant authority, to conduct the business affairs of presently existing or prospective commercial proprietaries under your jurisdiction?"

2. You will recall that this inquiry was addressed to area division chiefs in order to solicit their opinion as to the most feasible manner of resolving the current difficulties that CM Division experiences in directing the business affairs of commercial proprietaries lacking as it does the authority to require adherence to business advice. CM believes that although it functions as a staff, its responsibilities are more closely aligned to the command channel than are, for instance, the responsibilities of the Office of General Counsel or Cover Division. CM is willing to recognize that formula solution of these difficulties is impossible simply because the objective behind the creation of

commercial proprietaries varies in every individual case.

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3. There appears to be a consensus on the part of the line divisions that delegation to Commercial Division of the responsibility of conducting business affairs of commercial proprietaries is not only highly desirable but in many cases essential. The only possible exception to this thinking is on the part of WH Division whose experience in the field of commercial proprietaries has been limited to a very few in number, all of which, comparatively speaking, have operated on a restricted budget. WE believes that exclusive responsibility for the direction of commercial proprietaries should be retained under its jurisdiction unless or until the total Agency commitments to the projects concerned exceed an agreed upon cut-off point. The divisions universally feel that they must reserve a power to veto or revise CM's decisions in the event there are present controlling operational and security factors. It is apparent that all divisions are fearful that unrestricted delegation of authority to CM would produce duplicate chains of command creating the inevitable difficulties that ensue from split authority. FE Division made specific mention of the complications that dual channels of communications and approval of travel authority would produce.

4. Our discussions with area division representatives and our preliminary examination of existing commercial proprietaries leads us to the belief that existing regulatory machinery is adequate to promote the educational process that must necessarily evolve to achieve the desired point of working coordination between line divisions and CM. This is the crux of the present difficulties that CM experiences. The rationale of this belief is expanded hereafter.

5. The covering of an operation by the establishment or acquisition of a proprietary facility injects at the planning stage an additional series of problems. Simply stated these problems arise out of the difficulties attendant upon running a clandestine operation under the guise of a commercially plausible venture in which CIA has a financial investment which it desires to protect. Operational objectives and planning must accordingly be tailored to the commercial framework; and conversely a commercial framework must be developed that will be best suited to the operational objectives and planning. Evolution of the operational and business phases must, therefore, proceed simultaneously. We have found in several projects that we have examined that this concept of coordinated development has been somewhat less than conscientiously followed. The advice of those most qualified on particular aspects of project planning has not always been solicited.